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NEW GOSBANK REGULATION FOR EXTENDING CREDIT
 TO TRADE ORGANIZATIONS

Beginning with the first quarter 1953, the practice of extending term credit to trade organizations over differentiated periods of time for different commodity groups was abolished. The Gosbank is now granting term loans to trade organizations on the basis of the average norm of commodity turnover in the trade network and in transit, established in conformance with the financial plan of a trade organization.

The elimination of the complex procedure of establishing planned differentiated loan terms simplifies the whole system of credit extension.

The fixing of credit terms for making debt payments from a special loan account on the Gosbank loan must now be made on the basis of the average norm of commodity turnover set in accordance with the balance of income and expenditure (the financial plan) of an enterprise. The loan repayment terms are computed in the middle of the period in which debt adjustments on Gosbank loans take place. For example, when the debt adjustment is due to take place in 15 days, the computation of the loan repayment terms is carried out on the eighth day, and when the debt adjustment is scheduled in 16 days (with 31 days in a month), it is carried out on the ninth day.

The new credit regulation based on the average norm of turnover presents the directors of trade organizations and enterprises with the problem of speeding up the turnover of commodities.

Formerly, credit for certain commodities such as haberdashery, perfumery, tobacco, matches, headaddress, cultural goods, construction materials, and others was extended over longer periods of turnover than that based on the average rate. Now, credit for all commodities will be extended only on the basis of the average norm of turnover in the retail network and in transit.

The average planned commodity turnover norm is established to ensure a wide assortment of goods to trade enterprises. However, should trade organizations permit goods of inferior quality or low demand to enter the stores or warehouses, the turnover of commodities will slow down and the established norm will be exceeded, resulting in financial difficulties to that enterprise.

- 1 -

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Consequently, the fulfillment of the commodity turnover plan will require the directors of trade enterprises and all other trade personnel to study consumer demand carefully and to arrange for correct deliveries of merchandise. However, under no circumstances should this policy lead to shortages of necessary commodities which have a slower rate of turnover than the prescribed norm. An adequate assortment of these commodities is a necessary prerequisite to better servicing of consumers and an over-all expansion of trade.

The directors of trade organizations and enterprises must also analyze the nature of commodity stocks in the trade network, warehouses, and bases, and must carry out practical measures to improve trade and accelerate commodity turnover. They must also ensure a more rapid flow of goods from supply bases and warehouses to the consumer, promote quicker sale of commodities which for some reason accumulate in the retail trade network or at warehouses, and permit no deliveries of merchandise to take place without first considering demand. In addition, they should require industrial enterprises to guarantee timely and regular shipments of merchandise of improved quality and assortment.

Unless the above-mentioned measures are carried out, trade organizations will not be able to fulfill the commodity turnover plan and meet their Gosbank loan obligations on schedule.

Trade organizations must arrange the terms of their loan payments according to the sales receipts, to prevent an accumulation of large payments on days when extensive shipments of merchandise are received. To equalize loan payments, it is permissible to change their due date, providing that the original credit terms established for a given organization are generally maintained.

If part of its liability is met by a trade organization later than the due date, it must then assume obligations for a corresponding amount at an earlier date. For example, if a payment of 500,000 rubles is due on 19 August, the obligations may be assumed as follows:

100,000 rubles due on 4 August (19 minus 15 days)

100,000 rubles due on 10 August (19 minus 9 days)

100,000 rubles due on 19 August

100,000 rubles due on 28 August (19 plus 9 days)

100,000 rubles due on 3 September (19 plus 15 days)

The abolition of the old method of credit extension based on differentiated terms does not in any way change the existing regulations concerning the verifications of security on Gosbank loans. The Gosbank checks on the security of its loans on the first of each month by examining the operational reports of an enterprise pertaining to its accounting balances and the remaining commodity stocks.

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- 2 -

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